

Message Text

LIMITED OFFICIAL USE

PAGE 01 LUSAKA 01658 300725Z

44

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 /064 W

----- 028975

R 291500Z AUG 75

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 2067

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY NAIROBI

AMEMBASSY LONDON

AMEMBASSY PRETORIA

LIMITED OFFICIAL USE LUSAKA 1658

E.O. 11652: N/A

TAGS: EINV, EGEN, ZA

SUBJECT: PRESIDENT KAUNDA WARNS PRIVATE BUSINESSMEN CRITICAL OF
JUNE 30 REFORM MEASURES

REF: LUSAKA 987, 1232, 1294, 1362 (NOTAL)

1. SUMMARY. ADDRESSING MEETING OF ZAMBIAN PRIVATE BUSINESS-
MEN IN LUSAKA ON AUGUST 28, PRESIDENT KAUNDA WARNED THERE
WILL BE NO TURNING BACK FROM ECONOMIC REFORMS ANNOUNCED
JUNE 30. THOSE WHO FEEL THESE REFORMS ARE WRONG SHOULD GET
OUT OF ZAMBIA. SPEECH FOLLOWED CIRCULATION BY PRIVATE
SECTOR OF PAPER CRITICAL OF JUNE 30 REFORMS. PRESIDENT'S
SPEECH BOUND TO DEPRESS STILL FURTHER ALREADY LOW MORALE AND
CONFIDENCE OF ZAMBIAN AND EXPATRIATE BUSINESS COMMUNITY AND
CLOUD FOREIGN INVESTMENT CLIMATE. END SUMMARY.

2. AT MEETING IN LUSAKA ON AUGUST 14/15, CHAIRMAN
OF PARTY CENTRAL COMMITTEE ECONOMIC AND FINANCE
SUBCOMMITTEE HUMPHRY MULEMBA TOLD PRIVATE
BUSINESSMEN AND INDUSTRIALISTS THAT THEY MUST START
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LUSAKA 01658 300725Z

NOW TO IMPEMETHN ECONOMIC REFORMS ANNOUNCED BY

PRESIDENT KAUNDA ON JUNE 30 (REFTELS). MULEMBA EXPLAINED PARTY PHILOSOPHY REQUIRES THAT ENTERPRISES EARNING MORE THAN K500,000 (\$780,000) PROFITS ANNUALLY WOULD BE TAKEN OVER BY GOVERNMENT WHILE OTHERS WILL BE ALLOWED TO BECOME COOPERATIVES THROUGH GREATER WORKER PARTICIPATION THROUGH PURCHASE OF SHARES.

3. FOLLOWING THIS MEETING BUSINESSMEN ELECTED STEERING COMMITTEE WHICH DRAFTED MEMORANDUM REPRESENTING VIEWS MAJORITY OF PRIVATE BUSINESSMEN PRESENT. MEMO STATES INTER ALIA THAT JUNE 30 REFORMS HAVE "CREATED UNCERTAINTY, DESPONDENCY, AND UTTER LACK OF CONFIDENCE IN ZAMBIAN ECONOMY, BOTH AT HOME AND OVERSEAS." RECALLING THAT AN EARLIER PARTY POLICY STATEMENT HAD PLEDGED SUPPORT FOR CONTINUED DEVELOPMENT AND PROSPERITY OF PRIVATE SECTOR, MEMO (A) OPPOSES IMMEDIATE AND SWEEPING ABOLITION OF WHOLESALE TRADE, (B) RAISES VARIETY OF QUESTIONS ABOUT DESIRABILITY AND FEASIBILITY OF EARLY MOVE TOWARD WORKERS AND GOVERNMENT PARTICIPATION IN PRIVATE COMPANIES, AND (C) URGES FORMATION OF AN "ECONOMIC COUNCIL OF ZAMBIA", CHAIRED BY PRESIDENT KAUNDA AND REPRESENTING GOVERNMENT, PARASTATALS, AND PRIVATE SECTOR, TO ENSURE CLOSE AND CONTINUOUS CONTACT ON ECONOMIC MATTERS AND PERMIT DISCUSSION OF POSSIBLE CONSEQUENCE OF JUNE 30 REFORMS BEFORE THEIR IMPLEMENTATION.

4. APPARENTLY RESPONDING TO THESE CRITICISMS, PRESIDENT MET WITH OVER 200 BUSINESSMEN ON AUGUST 28 TO WARN ZAMBIA WOULD NOT TOLERATE PRIVATE BUSINESSMEN BENT ON "DRAWING NATION INTO COLLISION COURSE " BETWEEN "THE EXPLOITED--THE WORKERS--AND THE EXPLOITERS, THEIR EMPLOYERS." BUSINESSMEN WHO FEEL THAT JUNE 30 REFORMS ARE WRONG INVITED TO LEAVE ZAMBIA. HE REAFFIRMED THAT PARTY AND GOVERNMENT POLICY IS THAT PRODUCTION AND DISTRIBUTION SHOULD REST IN HANDS OF WORKERS UNDER GUIDANCE OF THE PARTY AND THERE WOULD BE NO COMPROMISE WITH AIM OF ACHIEVING ECONOMIC PARTICIPATORY DEMOCRACY.

5. IN LATER CONVERSATION WITH MINISTER OF MINES
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LUSAKA 01658 300725Z

AND INDUSTRY SOKO, WHO HAD BEEN PRESENT AT AUGUST 28 MEETING, AMBASSADOR REMARKED IT WAS GOOD THING IF THERE COULD BE OPEN DISCUSSIONS OF PRIVATE SECTOR CONCERNS RATHER THAN PRIVATE GRUMBLINGS WE HAD HEARD IN REACTION TO JUNE 30 REFORMS. SAID SHE WOULD WELCOME OPPORTUNITY REVIEW IN DETAIL WITH DIRECTLY CONCERNED OFFICIALS PROBLEMS OF AMERICAN BUSINESS INTERESTS IN ZAMBIA. SOKO SUGGESTED ALL CONCERNED

AMERICAN FIRMS BE REFERRED TO HIM, SAYING HE WOULD
BE HAPPY DISCUSS THEIR PROBLEMS AT LENGTH.

6. COMMENT: UNFORTUNATELY, PRESIDENT'S
LATEST PRONOUNCEMENT CERTAIN TO FURTHER DEMORALIZE
AND DEPRESS PRIVATE BUSINESS COMMUNITY HERE. IN
WAVING ASIDE CONCERNS EXPRESSED BY BUSINESSMEN,
PRESIDENT REVEALS ONCE AGAIN HIS LACK OF UNDERSTANDING
OF BASIC ECONOMIC FACTORS AND A DISTORTED, ALMOST DICKENSIAN
VIEW OF CAPITALISM AND EMPLOYER-EMPLOYEE RELATIONSHIPS
WHICH HAVE BECOME EMOTIONAL ISSUES WITH HIM AND ON
WHICH HE WILL BROOK NO CHALLENGES. HE IGNORES AS WELL
LESSONS WHICH COULD BE DRAWN FROM "FULL CIRCLE" ECONOMICS
POLICIES IN TANZANIA WHICH FROM OUR VIEW HERE SEEM TO
BE BECOMING INCREASINGLY DEPENDENT ON FOREIGN CAPITAL
AND EXPERTISE, HAVING RUN INTO SERIOUS PROBLEMS WITH
"PURE SOCIALISM".

7. ON TOP OF ALREADY SERIOUS ZAMBIAN ECONOMIC PROBLEMS
STEMMING FROM LOW COPPER PRICES, HIGH OIL IMPORT COSTS,
AND SEVERE TRANSPORT PROBLEMS, KAUNDA'S CONTINUING
SLAPS AT PRIVATE CAPITAL WILL DISCOURAGE ALL BUT MOST LION-
HEARTED FOREIGN INVESTORS WHO BELIEVE THEY CAN MAKE
IT IN SHORT RUN. THERE ARE NOT TOO MANY OF THESE AROUND
AMONG 60 ODD AMERICAN FIRMS REPRESENTED IN ZAMBIA.
WE PLAN ENCOURAGE CONCERNED AMERICAN COMPANIES MEET
WITH BOTH CENTRAL COMMITTEE MEMBER MULEMBA AND SOKO
TO AIR THEIR CONCERNS AND SEEK WHAT ASSURANCES MAY BE
AVAILABLE. BUT IN PRESENT CLIMATE OUTLOOK FOR AMERICAN
PRIVATE INVESTMENT IN ZAMBIA CONTINUES BE FROUGHT WITH
UNCERTANTIES.
WILKOWSKI

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUSINESSMEN, INVESTMENT CLIMATE, FINANCIAL REFORMS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LUSAKA01658
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750301-0434
From: LUSAKA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975085/aaaaaehg.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LUSAKA 987, 75 LUSAKA 1232, 75 LUSAKA 1294, 75 LUSAKA 1362
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUN 2003 by BoyleJA>; APPROVED <12 NOV 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT KAUNDA WARNS PRIVATE BUSINESSMEN CRITICAL OF JUNE 30 REFORM MEASURES
TAGS: EINV, EGEN, ZA, (KAUNDA, KENNETH D)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006